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PHILIPS LUMILEDS LIGHTING COMPANY,  
14 LLC

15 UNITED STATES DISTRICT COURT  
16 NORTHERN DISTRICT OF CALIFORNIA  
17 OAKLAND DIVISION

18 EPISTAR CORPORATION,  
19 Plaintiff,

20 v.

21 PHILIPS LUMILEDS LIGHTING  
COMPANY, LLC,  
22 Defendant.

23  
24 AND RELATED COUNTERCLAIMS  
25  
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Case No. C-07-5194 CW

**SUPPLEMENTAL BRIEF OF PHILIPS  
LUMILEDS LIGHTING COMPANY, LLC  
IN SUPPORT OF MOTION FOR  
JUDGMENT ON THE PLEADINGS WITH  
RESPECT TO EPISTAR  
CORPORATION'S FIRST, THIRD, AND  
FOURTH CLAIMS REGARDING UNFAIR  
COMPETITION AND TORTIOUS  
INTERFERENCE**

Date:  
Time:  
Location: Courtroom 2, 4th Floor  
Judge: The Honorable Claudia Wilken

At the August 7, 2008 hearing, this Court indicated that Epistar's state law unfair competition claims are barred by privilege and invited Philips Lumileds Lighting Company LLC ("Lumileds") to submit a short supplemental brief regarding whether this privilege also bars Epistar's unfair competition claim under the Lanham Act. Upon further review, Lumileds agrees that the state litigation privilege does not apply to this federal claim, but respectfully submits that this claim is barred by the federal patent law immunity for patent assertions that are not "objectively baseless."

As fully briefed by both parties, the Federal Circuit has found that federal patent law imposes an additional "bad faith" requirement before finding unfair competition based on commercial statements about patents. *See Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1353 (Fed. Cir. 1999); Mot. at 20:3-21:15, Opp'n at 10:25-11:21, Reply at 13:19-14:4. This "bad faith" requirement cannot be met "in the absence of a showing that the claims asserted were objectively baseless." *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1375 (Fed. Cir. 2004). The Federal Circuit has explained that "subjective considerations of bad faith are irrelevant if the assertions are not objectively baseless." *GP Indus., Inc. v. Eran Indus., Inc.*, 500 F.3d 1369, 1375 (Fed. Cir. 2007).

Because of this qualified federal immunity for patent assertions, this Court need only find that Lumileds' letters were not "objectively baseless" to dismiss Epistar's Lanham Act claim. It is not enough for Epistar to assert that there is some potential basis for Epistar's claim or factual dispute concerning the accuracy of the Lumileds letters. Rather, Epistar's Lanham Act claim must be dismissed if there is any objective basis, even if factually in error or subjectively in bad faith, for the assertions in Lumileds' letters.

Epistar argues that because certain products are allegedly beyond the scope of the ITC order, Lumileds' statement that "all of Epistar's OMA, MB and GB products" were found by the ITC to infringe is misleading. *See* Opp'n at 6:10-18. This statement cannot be objectively baseless because it is a virtually verbatim quote from the ITC's opinion:

Because we determined that Epistar's family of MB, GB, and OMA LEDs infringe the asserted claims of the '718 patent, we have issued a limited exclusion order directed to those LEDs.

1 Scher Reply Decl., Ex. A (Commission Opinion) at 22; *see also* Mot. at 5:20-6:20, Reply at 2:18-  
 2 3:11. The ITC investigation encompassed the entire family of Epistar's OMA, MB, and GB  
 3 products, and the OMA I & II, MB I & II, and GB I & II were the only products ever identified  
 4 by Epistar. *See* Mot. at 4:10-5:6, Scher Decl. ¶ 12, Ex. K at 4-7. All six of these products were  
 5 found to infringe.

6 For the first time ever at the oral argument, Epistar's counsel, purportedly reading from a  
 7 press release not previously submitted or mentioned by Epistar, suggested that Epistar had  
 8 developed a non-infringing MB "design-around" product. Even though this press release came  
 9 months before the ITC decision, Epistar never provided any discovery or evidence on this alleged  
 10 product in the ITC proceeding. To this day, Lumileds is still not aware of any such "MB III"  
 11 design-around product. If such a product existed, Epistar would have established or at least  
 12 suggested its existence in its opposition brief. This Court should not consider this unsupported  
 13 and untimely assertion. Even if the Court considers this late evidence, such a vague press release  
 14 cannot support a conclusion that the Lumileds letters, based on the ITC's ruling, were objectively  
 15 baseless.

16 Finally, Epistar also argued that Lumileds' letters stating that all of Epistar's OMA  
 17 products had been found to infringe were baseless because some of Epistar's products were  
 18 covered by the covenant not to sue in the 2004 Settlement Agreement. Epistar initially made this  
 19 same argument to the ITC, contending that certain OMA products were covered by the covenant  
 20 and should not be subject to an exclusion order. But Epistar abandoned this defense at the  
 21 evidentiary hearing. Even if Epistar is allowed to raise this claim here, it will have no impact on  
 22 the scope of the ITC's exclusion order. Indeed, Epistar cannot possibly show that Lumileds'  
 23 letters characterizing the scope of the ITC decision is "objectively baseless" by relying on a  
 24 covenant defense that it abandoned in the ITC proceeding.

25 Accordingly, although Lumileds concedes that Epistar's federal Lanham Act claim is not  
 26 barred by the state litigation privilege, it is barred by the federal immunity for patent assertions  
 27 that are not "objectively baseless."

1 Dated: August 11, 2008

MORGAN, LEWIS & BOCKIUS LLP

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